

Message Text

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PAGE 01 BUENOS 07191 012241Z

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

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FM AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: ECON, EFIN, EGEN, AR

SUBJECT: GOA ACTS TO IMPLEMENT LAWS NATIONALIZING FOREIGN
BANK INTERESTS IN ARGENTINA.

REF: (A) BUENOS AIRES 5729

(B) BUENOS AIRES 5598

(C) STATE 154305

1. PRESS REPORTS OF SEPTEMBER 28 INDICATE GOA HAS ISSUED EXECUTIVE DECREE NO 1430 TO IMPLEMENT LAW NO 20522 WHICH MADE CERTAIN BANKS OWNED BY FOREIGN INTERESTS SUBJECT TO EXPROPRIATION. PASSAGE OF LAW NO 20522 REPORTED REFTEL A. DETAILS OF LAW WERE CONTAINED REF B AND PREVIOUS EMBASSY REPORTS.

2. ACCORDING TO PRESS ACCOUNTS OF NEW GOA DECREE, BANKS TO BE EXPROPRIATED WILL MAKE GENERAL INVENTORY ALL ASSETS AS OF SEPTEMBER 30. NATIONAL MORTGAGE BANK MUST AGREE WITH VALUATION OF REAL PROPERTIES. BANK FOR THE CITY OF BUENOS AIRES, ANOTHER OFFICIAL BANK, MUST AGREE WITH VALUATION ON MOVEABLE PROPERTY. CENTRAL BANK MUST AGREE ON VALUATION OTHER FINANCIAL ASSETS. EVALUATIONS OF ASSETS TO BE COMPLETED WITHIN 120 DAYS FROM EFFECTIVE DATE DECREE 1430 AND ARE TO BE REVIEWED BY GOA. IF
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PAGE 02 BUENOS 07191 012241Z

INTERESTED FOREIGN BANKS DO NOT AGREE TO EVALUATIONS DERIVED

FROM ABOVE PROCESS ARGENTINE ATTORNEY GENERAL WILL PROCEED TO SECURE JUDICIAL ACTION TO COMPLETE EXPROPRIATION.

3. A FURTHER PROVISION OF DECREE 1430 AUTHORIZES THE CENTRAL BANK TO INTERVENE IN ANY OF THE DESIGNATED BANKS TO BE EXPROPRIATED AND REPLACE THEIR BOARDS OF DIRECTORS AND PRESENT ADMINISTRATIONS AS CIRCUMSTANCES REQUIRE TO CARRY OUT PROVISIONS OF GENERAL BANKING LAW (NO 18061 OF 1969), WHICH SPELLS OUT PROCEDURES FOR CENTRAL BANK HANDLING OF AFFAIRS IN COMMERCIAL BANKS WHOSE STATUS IS BEING CHANGED.

4. PROVISION ALLOWING CENTRAL BANK TO NAME "INTERVENTOR," PARA 3 ABOVE, IS VIEWED AS AN ALARMING FACTOR BY CHASE MANHATTAN REPS IN BUENOS AIRES. THEY FEAR THAT SUCH ACTION BY CENTRAL BANK MAY BE TAKEN ALMOST IMMEDIATELY AND THAT USCH A STEP WOULD PRECLUDE THE LOCAL SUBSIDIARY FROM INITIATING OR CONTINUING LEGAL ACTION AGAINST A FORMER EMPLOYEE WHO, AT VERY LEAST, USED POOR JUDGEMENT IN PLACING GUARANTEE OF CHASE BANK SUBSIDIARY ON CERTAIN FOREIGN EXCHANGE TRANSACTIONS WHICH HAVE TURNED OUT BADLY AND IN WHICH THE BANK'S RESPONSIBILITY MAY BE CONSIDERABLE. CHASE BANK REPS BELIEVE SUCH ACTION BY CENTRAL BANK WOULD ALSO END FRIENDLY NEGOTIATIONS WITH CENTRAL BANK AUTHORITIES INTENDED TO CIRCUMSCRIBE THE FINANCIAL OBLIGATIONS OF THE CHASE BANK SUBSIDIARY FOR IMPROPER EXCHANGE DEALINGS CARRIED BY ITS FORMER CLIENT. THEY ARE CONCERNED THAT HOSTILE ELEMENTS, INCLUDING SOME THEY FEEL THEY CAN IDENTIFY WITHIN THE GOA, WILL PUBLICIZE AND OTHERWISE USE THE CONTRAVENTION OF EXCHANGE REGULATIONS IN WHICH CHASE BANK'S SUBSIDIARY BECAME INVOLVED THROUGH EXTENDING ITS GUARANTEE, TO DAMAGE IMAGE OF CHASE MANHATTAN IN ARGENTINA.

5. NATIONAL CITY BANK REPS ARE NOT CONCERNED OVER PROVISION IN NEW DECREE WHICH WOULD ALLOW CENTRAL BANK TO NAME INTERVENTOR. THEIR LACK OF CONCERN IS BASED UPON BELIEF PROVISION WAS INSERTED IN NEW DECREE SO THAT CENTRAL BANK MAY "INTERVENE" AND TAKE OVER ANY BANKS TO BE RENATIONALIZED, IF AGREEMENT ON VALUE OF ASSETS NOT REACHED, IF CENTRAL BANK INITIATES LEGAL ACTION ON EXPROPRIATION THROUGH ATTORNEY GENERAL.

6. EMBASSY HAS NO INDEPENDENT INFORMATION WHICH WOULD INDICATE GOA AUTHORITIES INTEND TO SINGLE OUT CHASE MANHATTAN SUBSIDIARY LIMITED OFFICIAL USE

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PAGE 03 BUENOS 07191 012241Z

AND TREAT ITS CASE MORE HARSHLY THAN OTHERS. FACT THAT CHASE SUBSIDIARY UNFORTUNATELY BECAME LINKED WITH SUBSTANTIALEVASION OF EXCHANGE REGULATIONS BY ONE OF ITS CLIENTS NATURALLY GIVES RISE TO ADDED NERVOUSNESS ON THE PART OF LOCAL CHASE MANHATTAN REPRESENTATIVES. EMBASSY WILL FOLLOW DEVELOPMENTS AS CLOSELY AS POSSIBLE.

7. CENTRAL BANK INSPECTORS HAVE BEEN IN SOME OR ALL OF THE SEVEN

BANKS TO BE "RENATIONALIZED" FOR PERIODS UP TO SIX WEEKS. THEY SEEM TO BE MAKING VERY DETAILED EXAMINATIONS OF ALL FACETS THESE BANK'S RECENT OPERATIONS. FNCB REPS ESTIMATE EVALUATIONS OF ASSETS, AT PACE NOW DEVELOPED BY CENTRAL BANK INSPECTORS, IS LIKELY TO REQUIRE ALL OF THE FOUR MONTHS GIVEN BY THE EXPROPRIATION LAW AND CURRENT IMPLEMENTING DECREE. WE ANTICIPATE THAT DURING THIS LENGTHY PERIOD THE MANNER IN WHICH THE PERON GOVERNMENT INTENDS TO COMPLETE AND HANDLE THE EXPROPRIATION OR RENATIONALIZATION WILL GRADUALLY BECOME CLEARER.
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